Analytics

Helena Schwenk

Orientation

Building a business case for Talent Analytics

March 2014

A successful business case is one that enables your organisation's business leaders to make the right decision about a Talent Analytics investment. In this report we highlight the key aspects you need to think about as you create your own business case for Talent Analytics, starting with getting a clear handle on why it is a worthwhile investment for your organisation, but also addressing considerations such as budget and resourcing concerns, how you can measure the success of your initiative and demonstrate ROI, and the major risks you need to bear in mind over the lifetime of the initiative.

Find out how to access related research at http://www.mwdadvisors.com/ec/membership.php.

MWD Advisors is a specialist advisory firm which provides practical, independent industry insights to business leaders and technology professionals working to drive change with the help of digital technology. Our approach combines flexible, pragmatic mentoring and advisory services, built on a deep industry best practice and technology research foundation.

This paper has been sponsored by IBM

Top takeaways

1 Clearly define the business opportunity of problem you're looking to address

A compelling business case is one where the business need for Talent Analytics is clearly articulated to all those involved, but also where there's a common understanding of the business value you're trying to achieve, the expected outcomes delivered by the work, and the measures used to determine success. Discussing and agreeing these factors up front is a vital part of the business case development process and will play an important role in winning over senior management early on.

2 Identify the roles and responsibilities needed to make your Talent Analytics initiative a success

Our research shows that a successful Talent Analytics initiative needs the participation and collaboration of a number of different parties – including those that sit within HR, lines of business, central IT and executive management team. Each can bring a different perspective and expertise; where the HR stakeholder is responsible for understanding what HR objectives matter to the company and how to articulate them, business leaders need to communicate how employee data insights can be used to enhance business processes, IT staff are responsible for managing data and system integration requirements; HR staff are relied on to successfully exploit data and ensure analytics are infused throughout the HR organisation, and senior management are there to lead, champion and sponsor the initiative. Without the involvement of all of these constituents it will become much harder for your initiative to get 'off the ground', gain credibility, and ultimately for the business case to be signed off.

3 Understand the potential impediments to Talent Analytics success and plan ahead where possible

When building your business case it's vital that you determine the possible risks likely to impede your initiative's success. Our research shows that some of the most common challenges surrounding a Talent Analytics initiative concern getting and sustaining management buy-in, a lack of provision for data and analytics governance and ensuring you have the right data and analytics skills in place. Where these risks apply to your organisation you must factor them into your business case and put in place a plan that aims to manage and mitigate them.

Laying the foundations: understanding the need, defining the value, and aligning with strategy

Understanding the need

The process of identifying – and clearly articulating – the business requirements of your Talent Analytics initiative is important not just as a central part of your business case; it provides a key foundation for everything that is to follow during the initiative, including convincing key stakeholders – from middle management and your staff on the ground, to the senior management who sign off the business case – of its value (as we discuss next), and provides a frame of reference for measuring the return on your investment.

As a starting point it's often useful to focus on the role that Talent Analytics plays in answering key business questions that help your organisation resolve a particular problem area or make the most of an untapped opportunity. In other words, it is possible to assess the impact of using analytics on certain strategic initiatives and workforce processes, such as the impact of better attrition prediction on employee retention, the impact of a talent initiative on the quality of the talent pool, or how a better insight into top and bottom performers can influence compensation policies and processes?

Our research shows that leading organisations are those want to understand the bigger picture about the people in their workforce as inevitably business strategies hinge on the quality and readiness of talent to execute on them. This goes far beyond questions of productivity and driving efficiencies; it extends towards understanding the readiness of your organisation to meet its business objectives. It can for example touch on capabilities related to identifying and nurturing top performers; keeping employees engaged; and highlighting competency gaps between current talent and your organisation's future plans.

Talent Analytics has a role to play in helping your organisation meet these requirements – and indeed we have found that there are a number of core focus areas in which organisations concentrate their Talent Analytics efforts, such as:

- **Business Performance**. Talent Analytics can identify the organisational roles and employees within those roles that have an impact on your organisation's bottom line, as well as the critical elements of organisational functioning that support high performance.
- **Hiring**. With the high cost associated with failed new hires, many organisations are turning to Talent Analytics to improve the success rate of the talent acquisition process. Analytics can improve the effectiveness and quality of recruitment by providing a picture of optimal hiring profiles, an idea of what successful talent already exists in the organisation, and which sources produce better hires.
- **Attrition**. One of the primary reasons companies turn to Talent Analytics is to understand why attrition happens, uncover trends and plan or prevent employee departures. Attrition data tracked over time can provide a picture of a business' general health and overall success, and provides HR with information needed reduce – or better still, prevent – high-value employees from leaving.
- **Retention**. With the cost of acquisition far higher than the cost of retention, Talent Analytics can help your organisation take a more proactive and forward-looking approach to planning – for example by helping identify factors that are strong predictors of retention and turnover, that in turn can inform the development of focused retention strategies.
- **Employee engagement**. Through the analysis of performance and survey data, you can use Talent Analytics to gauge the factors most important to an employee's sense of engagement and how this, alongside employee attitudes, can impact the health and success of the business.

- **Training and development**. Talent Analytics can help to identify the knowledge, skills, and abilities that employees need, as well as the gap between needed capabilities and current capabilities, to help employees thrive not only in current roles, but also future roles.
- **Leadership progression**. Talent Analytics can enable HR managers to track and manage position demands, headcounts and employee-performance data to ensure top performers don't go unnoticed and that areas most in need of top talent are properly identified.
- **Compensation**. Talent Analytics may be introduced to get a better understanding of the impact of compensation on employee performance, by correlating compensation with employee performance and turnover metrics.
- **Performance management**. Talent Analytics can help to identify high-potential employees for special programs, or monitor employees who need improvement in certain areas.

Defining the business value

A good business case is a vehicle via which the business value of an initiative is not only defined, but also agreed up front; where all relevant parties can understand what value they are trying to achieve; where the expected outcomes are clear; and where a clear measure of success or impact is discussed and agreed upon. In other words, a business case should really detail what your initiative will achieve by virtue of better analytically-driven decision-making, and present an idea of what the organisation will look like when you have achieved this outcome.

To illustrate this point, many companies today use Talent Analytics to improve their hiring and retention strategies, get better at organisational and employee development, and enhance remuneration. In all these areas, analytics can provide professionals with greater clarity that enables them to track performance, identify and predict trends, manage HR processes and ensure workforce readiness.

These improvements can in turn be linked to reduced hiring and turnover costs, increased revenues (through better sales force performance for example), and increased employee lifetime value, which can be translated into direct business value for the organisation. On the other hand, if a Talent Analytics investment aims to improve workforce demand forecasting, it will be difficult to actively demonstrate business value unless the forecasts are actually incorporated into HR processes that then identify potential shortages, or an excess of a key capability before it occurs, or some other tangible economic benefit.

Although drawing a line between the results of your Talent Analytics initiative and the demonstration of business value isn't always straightforward, the importance of this work can't be overstated. If everyone understands the value of your initiative you're much more likely to be able to get buy-in and drive adoption, since people will understand why they need to get on board or change the way they do things. For those with an established or evolving Talent Analytics practice, a compelling business case can also help build on existing successes, secure future funding and communicate its business benefit further and wider than before.

Aligning with business strategy; becoming more strategic

When business owners and senior managers formulate plans and business strategies, HR can often be brought in late, considered an afterthought, or worse still left out of plans altogether. Without consulting or including HR, organisations run the risk of not developing the skills they need, or hiring people with the wrong aptitude, or equally not attracting and keeping talented and engaged employees. Furthermore a business strategy is there to provide a plan, to set the targets and goals of the organisation. Without this overarching statement of direction and without connecting HR strategy to it, it's likely that any analytics effort will become a siloed initiative that at best delivers some good, but small and tactical benefits for the business.

As part of formulating your business case it’s important to tie your work to the organisation’s broader strategic initiatives to help provide context and credibility, where Talent Analytics is seen as an enabler that underpins the work towards achieving these business goals and objectives. For example: Talent Analytics can provide insight into the attitudes and mood of your workforce; but when this insight is tied to and used to positively influence strategic outcomes such as improving the customer experience, the business case for Talent Analytics becomes far more powerful.

Equally, analytics can not only gauge the health and success of talent management within an organisation; it also has the power to provide insight into what gaps might exist when realising a particular business strategy. Because investment in people is key to helping deliver on business strategy it's important that HR can provide evidence of this, by for example providing more transparency and visibility into the talent pool, succession plans and competency gaps. The upside of this approach is that if your HR teams can validate their talent recommendations and tie metrics to the achievement of strategic goals and objectives then they are much more likely to be seen as a strategic partner within your organisation.

Fundamentals: getting to grips with costs and budgets, roles and responsibilities

Consider both business-related and IT costs

When looking at the financial implications of your Talent Analytics initiative, your budget needs to take into account two types of costs: technology costs and business-related costs.

The business-related costs of your Talent Analytics initiative will focus on the cost of implementing business change to all those impacted by its implementation and deployment. This can include the cost of ongoing business and data management training; the cost of changing and enhancing HR processes impacted by Talent Analytics; building and maintaining communication programmes that build awareness and educate business communities about your initiative; promoting analytics knowledge sharing; and providing support – as well as the cost of recruiting and developing new skills required within the business to effectively exploit Talent Analytics.

Frequently it's the business-related costs that are most commonly underestimated at the budgeting stage, mainly because there's a lack of understanding about the complexity of the business process change required for the work, a lack of data literacy (such as an inadequate understanding of how to use data to support HR decision-making) and a lack of readiness within the workforce for change. Changing established work patterns and behaviours of individuals in order to harness Talent Analytics insights, breaking old habits and countering resistance to change, all takes time. So it's important this time and effort is factored into your overall project costs.

The technology costs for a Talent Analytics initiative typically encompass cost of the technology, the cost of its implementation and/or its configuration. Today software-as-a service (SaaS) is gaining traction as a deployment method for Talent Analytics software – where it helps reduce the need to have an IT team install, configure, and support the Talent Analytics package. The subscription costs associated with a SaaS license cover the cost of software license(s) plus allocated hardware and storage costs, together with ongoing maintenance and support costs. In the case of an on-premises deployment, naturally these are separate costs.

When building a business case for your Talent Analytics initiative it's important to bear in mind that although the long-term costs of a SaaS offering are likely to be comparable to that of an on-premises version, with SaaS you can start delivering benefits much more quickly (due to shortened implementation times). Equally there is also a higher chance – if your Talent Analytics solution is set up and implemented correctly – that your expenditure curve will fit your benefits curve more closely rather than being significantly front-loaded. What this means is that together these two things can have quite an impact on the cost and benefit rationale of your business case.

However although cloud platforms has made it easier to install software and get up and running quickly, there's still a need to factor in costs associated with consulting services, including any customisation or integration work required plus internal staff costs and expenses involved in supporting the system as well as the technical IT staff training needed to get up to speed on the application and tools. To help provide more clarity, Table 1 provides a brief guide to what is, and what is not, included in a SaaS subscription compared with an on-premises deployment license.

Table 1: Comparing SaaS and on-premises deployment costs

Costs	Software-as-service	On-premises
Software	Pay-as-you-go subscription	Upfront perpetual or term license
Installation	Included as part of the subscription	Additional cost
Software support & maintenance	Included as part of the subscription	Additional as a percentage (typically 15-20%) of the overall software license cost.
Hardware	Included as part of the subscription	Additional cost
On-site staff support costs	Additional cost	Additional cost
Customisation	Additional cost (if customisation of Talent Analytics offering is possible).	Additional cost (in the majority of cases customisation is possible)
Integration with other IT systems & applications	Additional cost	Additional cost

Secure funding from key stakeholders

Our research shows that in many organisations the budgets for technology and business costs are typically kept separate. In this scenario IT is usually responsible for the data, its preparation, systems integration and the supporting infrastructure, and holds the budget for the work involved with maintaining, and supporting these systems. On the other hand, the HR organisation is responsible for analysing, interpreting and using the insights generated from their data – which typically means they own the budget for licensing (whether that involves buying a software-as-a-service or 'traditional' license) and using the enabling analytical tools and applications.

While this allocation of funding does make sense, it's also important to remember that a degree of alignment between these stakeholders is required in order to secure funding and involvement across the board for a Talent Analytics initiative. IT teams for example will most likely need to get involved in managing and integrating the data required for your Talent Analytics initiative; furthermore they will need to give consideration to data security policies and factor in any in-house systems integration work (such as the integration between an on-premises payroll application and a SaaS Talent Analytics application, for example). When budgeting for your initiative it's important that you take into account the costs that can be directly associated with HR but also IT. At the same time, the benefits returned by the initiative need to be tied not only to the positive contribution made to HR and the business processes it impacts, but also the integration work and data management function that made it possible in the first place.

Draw on a multi-disciplined team

Ensuring the right people are on board from the start is likely to increase the chances of success with your Talent Analytics initiative. It's therefore vital that you pay attention to the 'people element' of your Talent Analytics initiative by establishing the right relationships amongst the stakeholders that will help bring alignment amongst teams, and ensure your business case and the business outcomes it promises are fully supported.

Our research shows there are a number of key roles required for Talent Analytics success. Without the participation of and collaboration between all of these parties it will be much harder for the initiative to get 'off the ground', gain credibility, and ultimately for the business case to be signed off:

- **HR professional**. These subject matter experts are responsible for articulating the business need for Talent Analytics and outlining how strategic initiatives, business processes and the data used by them are changed or impacted. They will need to hold influence within the business, and have a strong credibility in providing data analysis and recommendations to decisions as well as understand how to define the metrics used to measure the performance of the initiative.
- **HR Analyst**. These analyst(s) are responsible for having a solid understanding of all forms of HR and related business data – including having a clear view of its provenance, meaning and structure and quality. This role is responsible for interrogating the data and applying the right analytical visualisation or techniques to the data so critical business questions can be addressed. For those with more mature and sophisticated Talent Analytics requirements the HR analyst role needs to become more accustomed to the use of advanced statistical models and predictive analytics techniques.
- **Corporate IT**. This team is responsible for the foundation for your Talent Analytics initiative that ideally brings all your workforce and business data together. IT team members are responsible for maintaining the consistency of the information as it's pulled from numerous data sources, putting the data into business models, creating data glossaries, developing metadata layers, and monitoring the quality and validity of the data sources over time.
- **Line of business**. Line-of-business representatives need to partner with HR to understand how the insight from Talent Analytics can be used in a business context to drive business performance and their impact on other business measures such as revenue, productivity and costs.
- **Executive management**. The executive team representatives, importantly including those within HR, will champion the initiative, help define the business need through prioritisation, create and promote an analytics-driven culture and determine how analytics can be infused within the organisation to aid or support business decision making.

Alongside these roles and responsibilities it's important to note how the development of tools and technologies are subtly changing the mix of skills required for Talent Analytics projects. In particular, from an end-user perspective, the advent of streamlined user interfaces, greater levels of automation within analysis and data preparation tasks, and ever-increasing general computing performance are making it a lot easier and quicker for HR Analysts to access, analyse and report on the data they need without having to rely on IT staff. This, together with the continued evolution of Talent Analytics and cloud based offerings, is starting to make Talent Analytics more of a self-service prospect for many HR and line-of-business users.

Understanding what success looks like

Why should you measure success?

There are many reasons why you should consider measuring the impact of your Talent Analytics initiative and outlining this approach in your business case. First and foremost, applying a measurement framework to your work will help demonstrate how you intend to validate whether or not your venture has been successful; and will be used to prove that it's a good thing to invest appropriately in talent. By building metrics into your program you are able to demonstrate your initiative's contribution to the achievement of the strategic objectives of your organisation; you can help repeat successes by securing ongoing management involvement and funding; and even better, a successful endeavour is much more likely to result in HR becoming a strategic player within the organisation.

Despite these advantages, many organisations tend to treat success measurements as an afterthought rather than something that's actively defined upfront. However, there are other, perhaps less obvious, reasons why it's important to measure success. It can help boost the confidence of the central team involved, especially where a successful endeavour leads to higher demand and recognition that Talent Analytics is an important or strategic focus area for the business. Likewise, having visibility into the performance of your work can also engender a sense of ownership and pride within the team and in turn increase the team's confidence level and belief in the initiative.

How to measure success?

Identifying the metrics you want to use to measure success is something that you need to consider as part of your business case, although there's always the choice of refining and adding to them along the way. You need to ensure that the metrics you use are clearly measurable and that they can be clearly associated with HR, business and IT value. Having metrics that are identifiable and understood will help stakeholders and the wider community determine the real value that the organisation is getting from its analytics investment.

As already mentioned, in many cases organisations find that measuring value is often a task that's overlooked or is considered as an afterthought. One of the main reasons for this is that there isn't typically one single way to measure success, but more likely a number of metrics that need to be created by different members of the team both within IT and the business.

Metrics that matter

What measures you use to determine the progress and success of your initiative will depend entirely on your specific goals and the relationship to the overall business objectives. As a starting point it's helpful to consider metrics that broadly fit into the following areas:

- **HR performance.** These measures are related to proactively managing talent within the organisation as part of the delivering on the overall strategic goals of the company. In broad terms these can be split into those that focus on effectiveness, efficiency and readiness, for example:
    - Effectiveness metrics such as on-boarding effectiveness, employee satisfaction scores, employee performance, engagement levels, revenue per employee and quality of hire.
    - Efficiency metrics such as attrition rates, retention rates, staff productivity rates and cost of employee turnover.
    - Readiness metrics include those related to internal mobility, high performer retention, competency gaps, leadership development and succession planning for example.
- **Business performance.** These metrics look at the impact of talent management on key business metrics such as an increase in sales, improved customer retention, increased productivity, enhanced risk management and cost optimisation for example.
- **Analytics adoption and penetration.** It's also important to benchmark usage and adoption on a regular basis to help demonstrate uptake, momentum and the growth of the initiative over time as well as help determine potential risks or areas of challenge with adoption.

Continuous improvement

Our research shows that organisations with a successful approach to Talent Analytics are those that also attach great importance to being able to monitor performance and use feedback as a mechanism for improving performance on an ongoing basis. By using metrics to baseline your starting position and by having a regular and systematic way of measuring performance it's possible to continually assess the momentum and benefits of your initiative over time and use this to sustain buy-in and senior management involvement in the project.

Potential risks and concerns

Although your business case may not need to address all the details of how you will ensure adoption and bring about the required business change, it's important to consider the potential risks that could limit the overall success of your Talent Analytics initiative.

Poor data and analytics governance

Badly governed data – and the insights based on it – can lead to bad decision-making, missed opportunities and inaccurate insights, all of which increase the risk of failure for your Talent Analytics project. Data governance and in particular IT's role in building out and maintaining a data governance framework is an important component of any data-driven initiative – not only those that focus on Talent Analytics.

IT needs to lay out how this important element of your Talent Analytics work will be tackled early on – considering how they will apply rigour and discipline to the process of managing, integrating, using, improving, and protecting organisational data. An important component of this work will involve ensuring that data security and privacy policies and checks are in place and they are being adhered to. This may also involve ensuring Talent Analytics processes comply with local laws and regulations.

One of the biggest benefits of a data governance framework is that it can help build accountability, trust, and integrity in data. When HR staff fully understand the meaning, the source and the context of the information they are using and they believe the insights they see, they are more likely to use it to make business decisions.

Lack of management commitment and buy-in

Talent Analytics requires commitment from executive management, combined with an analytics strategy that is aligned to your company's strategic ambitions, its business needs, maturity levels and culture, and that is flexible to adapt over time as the environment evolves and changes. You must ensure that executive, management and front-line worker expectations are managed carefully and on an ongoing basis. Gaining the right executive management buy-in and promoting collaboration between multiple business and IT entities across your organisation from the start is critical to the success of your analytics initiative. The best way to get this buy-in is to communicate the success it will bring, and demonstrate value within your business case.

Overlooking the analytics talent gap

If you're embarking on a new Talent Analytics initiative, or are expanding the scope of a current effort, you need to factor the need for data and analytics-literate skills into your business case. This is particularly important since these analytics skills will extend beyond spreadsheet analysis and straightforward reporting capabilities and typically involve a wider range of skills. The ideal candidate for many organisations is someone who is numerate, has good communication skills, is proficient in data visualisation and analytics techniques but can also blend this with the relevant domain expertise and a consultative approach to problem solving.

Interestingly, our research shows that there's an increased reliance on these communication skills when it comes to Talent Analytics projects. One of the biggest skills gaps we see for successful analytical teams is the ability to tell a story with the data: that is, someone who feels comfortable with taking a data or a statistical model and explaining it, using the right language, to a HR or business manager so they have an understanding of what it means, why they should care, and what they should do about it. At the same time there's also a need to align this capability with greater levels of data literacy within your wider organisation, where managers and workers everywhere feel comfortable and confident in reading, using and basing decisions on data insights.

What's more, as organisations become more data literate and adopt a culture of self-service, it's important that your Talent Analytics solution is powerful enough to support these data- and analytically-minded professionals but equally easy enough to use for the spectrum of skills found within the HR department and beyond.

Business case checklist

Table 2 summarises the key priorities we've highlighted in this report, offering a breakdown of the major costs and risks you need to consider in developing your business case, as well as some of the potential returns you might look for in defining your metrics for success. While it's not an exhaustive list, these should help focus your thinking as you address your own organisation's needs and situation.

Table 2: Your business case checklist

Costs	Risks	Potential returns/value
Business-related Training for existing staff regarding the tools, data, and new or changed business processes Business support: providing consulting to users from business domain and analytics and data experts Communication and education: getting buy-in and building awareness and trust across the teams involved Recruiting new skills and personnel that can effectively leverage your analytics capability ***Technology-related*** Software or subscription Customisation or configuration (including integration with existing IT infrastructure and business systems) Ongoing maintenance or support costs (either through internal or external resources) Technology training for hardware, software platforms, tools and applications	Lack of management commitment and buy-in Poor data and analytics governance Inadequate data and analytics skills	Increased efficiencies related to factors such as enhanced employee engagement, better succession planning and greater utilisation of talent. Reduced costs related to activities such as better on- boarding processes, better quality hires and lower attrition of top performers. Improved workforce readiness related to better workforce planning, an improved ability to anticipate future talent needs and understand leadership performance and potential.

